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ABSTRACT

This document is comprised of two separate publications, a report concerning the current AFDC program and related testimony. The report discusses a study that assessed the progress the Job Opportunities and Basic Skills (JOBS) program had made in serving an increasingly larger portion of the Aid to Families with Dependent Children (AFDC) caseload, thus ensuring that participants got work and left AFDC. Results indicated JOBS made progress in serving those at risk of long welfare stays, but some AFDC recipients who needed help to avoid long-term dependence had not been widely served. For example, in a 1992 review of 16 states, only 24 percent of teen parents had been enrolled in JOBS. State administrators reported a reluctance to serve AFDC recipients who had barriers to employment, such as learning disabilities, emotional problems, or substance abuse, and were difficult or more costly to serve. Programs were generally not well focused on recipients' employment as the ultimate goal and had generally not forged the strong links with local employers important to helping AFDC recipients find employment. The JOBS performance measurement system provided little incentive for moving clients into jobs, since it held states accountable for the number and type of AFDC recipients participating in JOBS activities, not for the number who got jobs. The second publication, testimony before the Senate Committee on Labor and Human Resources, focuses on five key points about JOBS: (1) what it is intended to do; (2) AFDC recipients being served; (3) what is known about its participants gaining employment; (4) is the program sufficiently focused on employment; and (5) what role employers plan. (Appendixes from the first publication include the following: objectives, scope, and methodology of ongoing work; comments from the Department of Health and Human Services; and abstracts of 17 related products.) (YLB)

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General Accounting Office

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Report to the Chairman, Committee on Finance, U.S. Senate

December 1994

# WELFARE TO WORK

# Current AFDC Program Not Sufficiently Focused on Employment

GAO/HEHS-95-28



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**United States**
**General Accounting Office**
**Washington, D.C. 20548**

**Health, Education, and**
**Human Services Division**

B-258107

December 19, 1994

The Honorable Daniel Patrick Moynihan
Chairman, Committee on Finance
United States Senate

Dear Mr. Chairman:

In recent years, a rapid growth in welfare caseloads, concerns about program costs and beneficiaries' long-term dependence and dissatisfaction with current programs have again focused attention on the nation's welfare system. A growing consensus exists among the public, practitioners, politicians, and welfare recipients that the current Aid to Families with Dependent Children (AFDC) program should be changed.[1] Members of the 103rd Congress proposed many reforms to overhaul the welfare system to serve a larger portion of the AFDC caseload, focus more on getting people jobs, and make AFDC benefits temporary—in some cases for a period not to exceed 2 years.

The aims and underlying philosophy of these new proposals reflected the goals of the Family Support Act of 1988 (FSA). In this regard, FSA created the Job Opportunities and Basic Skills Training (JOBS) program to provide an increasing portion of AFDC recipients with the education, training, and other services they need to get jobs and avoid long-term welfare dependence.[2] FSA aimed to use JOBS as the principal vehicle to transform the culture of both welfare agencies and recipients, so that they viewed cash benefits as temporary assistance on the path to employment and not as a permanent entitlement.

To assist the 104th Congress in its forthcoming deliberations on welfare reform, you asked us to assess the progress JOBS has made in (1) serving an increasingly larger portion of the AFDC caseload, especially those who are at risk of long welfare stays, and (2) ensuring that program participants get work and leave AFDC. To address your concerns, we combined the preliminary results from several studies we are conducting at your request with findings from previously issued GAO reports and other current research. (App. I provides additional detail on the objectives,

[1]AFDC is the key federal welfare program providing cash benefits to economically needy families. In fiscal year 1993, AFDC benefits supported more than 9.5 million children in 5 million families and cost over $25 billion in federal and state funds.

[2]JOBS is administered by the states, with the Department of Health and Human Services (HHS) Administration for Children and Families responsible for oversight and direction.

scope, and methodology of our ongoing work, and app. III contains abstracts of previously issued GAO reports.)

## Results in Brief

In spite of 1988 legislation to transform welfare into a transitional program aimed at helping an increasing portion of AFDC recipients get jobs and avoid long-term dependence, the current JOBS program has not served a large portion of the AFDC caseload and is not well focused on employment as the goal. Of the more than 4 million parents receiving AFDC checks each month, JOBS served only about 11 percent in an average month from fiscal years 1991 to 1993. Furthermore, program administrators report that they lack the capacity to provide current JOBS participants with the services and assistance that they need.

Although JOBS has made progress in serving those at risk of long welfare stays, some AFDC recipients who need help to avoid long-term dependence have not been widely served. Teen parents are especially at risk of long welfare stays because of their low levels of education and work experience and the young age of their children. Yet in a 1992 review of 16 states, only 24 percent of teen parents had been enrolled in JOBS. In addition, some AFDC recipients have barriers to employment, such as learning disabilities or emotional problems, and are difficult or more costly to serve. For example, estimates of the proportion of AFDC adult recipients who abuse drugs or alcohol to the extent that they would need treatment to participate in JOBS vary from 15 to 28 percent. In a recent survey of ours, some state administrators reported a reluctance to serve such recipients.

Fiscal year 1993 spending for JOBS totaled $1.1 billion, yet programs are generally not well focused on recipients' employment as the ultimate goal. Our recent nationwide survey of local program administrators revealed that JOBS programs have generally not forged the strong links with local employers that may be important to helping AFDC recipients gain work experience and find jobs. Many factors hamper the development of these ties to the workplace, including the JOBS performance measurement system. This system holds states accountable for the number and type of AFDC recipients participating in JOBS activities but not for the number who get jobs or earn their way off AFDC. Thus, programs may focus more on preparing participants for employment than on getting them jobs. In fact, the number of JOBS participants who get jobs or leave AFDC annually is unknown.

## Background

Between 1968 and 1988, the federal government required states to operate various programs designed to help AFDC recipients get jobs. However, these programs were criticized because they served too few AFDC recipients, focused on the most employable, and did little to reduce welfare dependence.

Dissatisfied with the welfare system, the Congress enacted FSA in 1988 to correct previous programs' weaknesses and transform AFDC into a transitional program. FSA established the JOBS program to help welfare recipients get the services they need to get jobs and avoid long-term welfare dependence. Through JOBS, states are to (1) provide a broad range of education, training, and employment-related activities; (2) increase the number of AFDC recipients participating in these activities; and (3) target resources to long-term and potentially long-term recipients. JOBS also emphasizes helping teen parents complete their high school education. In addition, states are required to provide AFDC recipients with necessary support services, such as child care and transportation.

Under JOBS, welfare agencies are to assess the needs and skills of welfare recipients, provide the services and activities needed to prepare them for work, and link them with employers when they are considered ready to work. To provide these services and activities, local JOBS programs rely heavily on a wide variety of community programs, such as Job Training Partnership Act (JTPA) programs, state or local adult basic education programs, the state employment service, Head Start, and community colleges.

States received much flexibility in designing and implementing their programs. Most states moved quickly to implement JOBS; by October 1990, 31 had statewide programs. All had statewide programs by October 1992. About $1 billion in federal funds is available per year for JOBS, and, to obtain these resources, states must commit matching funds.[3] In fiscal year 1993, federal and state expenditures totaled $1.1 billion for JOBS.

No national studies have been completed on the impact of JOBS, but the limited data available suggest that programs can have a positive, but

[3]The federal government shares in the costs of a state's JOBS program at three different rates. First, for each state's JOBS spending up to the amount spent on certain fiscal year 1987 welfare-to-work activities, the federal share is 90 percent. Second, for direct costs of providing services and full-time staff, the federal share is 60 to 80 percent, depending on a state's average per capita income. Third, for administrative and support services costs, other than child care, the federal share is 50 percent.

generally modest, impact. Recent experimental design evaluations[4] found that certain JOBS and JOBS-like programs increased the number of AFDC recipients entering employment, raised earnings, and reduced welfare rolls. Some programs succeeded more than others, but none was able to move most program participants both into jobs and off AFDC after 3 years. Under some welfare reform proposals, many AFDC recipients would be expected to leave AFDC after 2 years. HHS is currently sponsoring a seven-site national evaluation designed to determine the effectiveness of different approaches to operating JOBS. Early results find variation and diversity among the seven sites studied and suggest that the potential for an improved program exists. However, it is not yet known whether the approaches identified in the more noteworthy programs can be implemented nationwide.

Despite the progress of some programs in implementing JOBS, additional factors since the 1988 passage of FSA have led to continued dissatisfaction with the current welfare system. AFDC caseloads rose sharply beginning in 1989. The country also experienced a recession that heightened competition for scarce resources in both federal and state budgets. In addition, the public perceives AFDC as a growing problem[5] and a permanent entitlement rather than a route to work. During his campaign, President Clinton promised to "end welfare as we know it," a promise the public widely supported. Many Congress members and others have also proposed reforms, and some states have initiated their own reform efforts.

Most of the congressional reform proposals we reviewed have the basic principles of FSA and build on JOBS to help parents get jobs and end dependence. Most of the proposals aim to require larger portions of the AFDC population to participate in JOBS. To accomplish this, larger proportions of the overall population would be required to participate over time (in some cases up to 90 percent of those deemed able to work) or entire segments of the AFDC population, such as young adults, would be required to participate. Some proposals would require participation of mothers with younger children. Under current requirements, mothers with children under 3 years old (or 1 year at state option) need not be required

[4]See GAIN: Two Year Impacts in Six Counties, Manpower Demonstration Research Corporation (New York: 1993); GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program, Manpower Demonstration Research Corporation (New York: 1994); Florida's Project Independence: Program Implementation, Participation Patterns, and First-Year Impacts, Manpower Demonstration Research Corporation (New York: 1994).

[5]Although caseloads and program costs have risen, program costs as a percent of the nation's gross domestic product and of federal government expenditures have remained relatively stable since 1985.

to participate in JOBS, while some reform proposals would lower this age to 6 months or as low as 3 to 4 months for additional children.

Many reform proposals would also increase the focus on employment as the ultimate program goal. Some would no longer require states to offer education and training activities. In addition, some contain provisions to impose time limits on receipt of AFDC benefits. If, after a set time, usually 2 years, AFDC recipients have not found a job, they would be required to participate in a subsidized work program. Some proposals would also limit the time a participant could spend in the work program.

## Limited Progress in Serving More AFDC Recipients

While JOBS was designed to make welfare transitional by serving an increasing portion of AFDC recipients and reaching out to those at risk of long welfare stays, its progress has been limited. To date, JOBS has not served a large share of the AFDC caseload, and program administrators report that they cannot provide current participants with all the services and assistance they need. In addition, although JOBS has made progress in serving those at risk of long-term dependence, some AFDC recipients who have barriers to employment have not been widely served. Proposals to reform the program will be challenged to balance increased participation with the need for additional resources and the need to develop additional capacity over time.

### A Large Share of the AFDC Caseload Is Not Active in JOBS

Under FSA, the Congress took steps to involve an increasing portion of AFDC recipients in welfare-to-work programs through its new JOBS program, but the proportion of AFDC recipients active in JOBS has not been growing. FSA expanded the base of AFDC recipients required to participate. For the first time since AFDC (originally Aid to Dependent Children) began in 1935, recipients with preschool children were required to prepare for and accept employment to receive full benefits.[6] Even with this expanded base, about 56 percent of AFDC parents in fiscal year 1992 remained exempt from JOBS, most often because they were caring for a young child.

In addition, FSA recognized that states may not be able to serve all who were required to participate at the program's inception. It established gradually increasing minimum participation standards that tried to go beyond counting the participants and ensure satisfactory participation in

[6]Subject to the availability of state resources, AFDC recipients aged 16 through 59 must participate in JOBS unless they are exempt. Reasons for exemption include illness or incapacity, working 30 hours or more per week, attending high school, or caring for children under 3 years of age. However, teenage parents who have not completed high school and have children under age 3 are not exempt.

JOBS.[7] These minimum participation standards rose from 7 percent of those required to participate in fiscal year 1991 to 20 percent in fiscal year 1995.[8] According to HHS, almost all states met the minimum participation standards in fiscal years 1991 through 1993. However, we concluded in a 1993 report that participation rate data reporting requirements were complex and burdensome, and participation rate data did not provide a fair basis for assessing states' performance because they were not accurate or comparably derived across states.[9]

Due to exemptions, relatively low minimum participation standards, and AFDC caseload growth, the share of AFDC recipients active in JOBS remains limited and has not been increasing. As shown in figure 1, the numbers of those receiving AFDC and those required to participate in JOBS have increased from fiscal year 1991 through fiscal year 1993. Also, the number actually participating in JOBS at any level of involvement[10] in an average month increased by 5 percent during this period. However, the share of AFDC recipients participating at any level has remained at about 11 percent of the total AFDC caseload over the same period of time.[11] Although some individual programs have succeeded in enrolling most of their AFDC recipients who were required to participate, JOBS programs overall served only about one-fourth of those required to participate in an average month in fiscal year 1993.

[7]To measure the participation rate, HHS developed a complicated formula based on the number of individuals whose combined hours of participation in JOBS activities average at least 20 hours per week. This rate is intended to reflect satisfactory participation rather than mere assignment to an activity. A state could meet the participation rate standards by increasing the hours of those participating rather than increasing the number of participants. The number of participants meeting this standard increased 33 percent from fiscal year 1991 through fiscal year 1993.

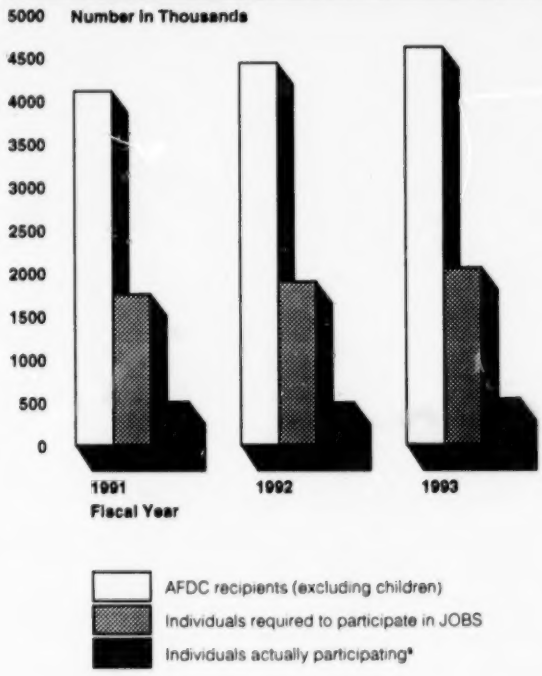
[8]FSA also established separate minimum standards for participation for principal earners in two-parent families receiving AFDC-Unemployed Parent benefits, beginning at 40 percent in fiscal year 1994 and increasing to 75 percent in fiscal year 1997.

[9]Welfare to Work: JOBS Participation Rate Data Unreliable for Assessing States' Performance (GAO/HRD-93-73, May 1993).

[10]By this we mean regardless of the number of hours they participate per month.

[11]During a year's time, a larger share of recipients may participate in the program, but because HHS maintains its data on an average monthly basis, it is not possible to get a national count of the number who actually participate over longer periods of time.

**Figure 1: Average Monthly Number of AFDC Recipients, Those Required to Participate in JOBS, and Those Actually Participating** (Fiscal Years 1991-1993)




[a]Defined as any level of involvement or participation in JOBS-approved activity, including assessment.

States met the minimum participation standards without committing enough matching funds to spend all federal moneys available for JOBS. As shown in table 1, about 57 percent of the federal allocation for JOBS was used in 1991, and use increased to 70 percent in 1993.

**Table 1: Share of Federal JOBS Funds Used by States (Fiscal Years 1991-1993)**

Dollars in millions

| | 1991 | 1992 | 1993 |
|---|---|---|---|
| Federal allocation | $ 994 | $ 993 | $ 993 |
| Amount used by states[a] | $ 564 | $ 678 | $ 698 |
| Percent of federal allocation used | 57 | 68 | 70 |

Note: Includes allocations and expenditures for the District of Columbia, Guam, Puerto Rico, and the Virgin Islands, but excludes about $7 million in federal dollars allocated each year to Indian tribes that operate JOBS programs.

[a]Represents federal share of JOBS expenditures recorded by HHS as of November 30, 1994. The 1993 amount may change as states continue to report expenditures.

Some argue that the states did not fully use available federal funds because of state fiscal pressures and competing demands for scarce resources due to the recent economic recession. While recent data suggest the states' financial position has improved, even if the states drew down all available federal funds, this amount would not be sufficient to serve all AFDC recipients or even all those required to participate in JOBS.[12] Some experts believe that the welfare culture will not change until recipients believe they must participate and accept employment and that this will not occur until a larger segment of the AFDC population is actually required to participate.

## JOBS Programs Report Unmet Service Needs Among Current Participants

While JOBS programs serve only a portion of the AFDC caseload, many program administrators reported that they could not always provide those participating with the services they need. In our mid-1994 survey of a nationally representative sample of county JOBS administrators, many administrators reported unmet needs in key program activities, such as basic education and job skills training. Administrators often cited transportation problems for participants, the need for more JOBS staff to serve participants, and, to a lesser extent, the lack of community resources and child care funding as reasons they could not meet participants' service needs.

FSA directed JOBS programs to draw on resources in the community before spending JOBS funds to pay for services or programs for JOBS participants. In many cases, local JOBS administrators reported that they now must reimburse programs for some or all of the services provided to JOBS participants.

## Child Care Costs Can Limit Number Served

Under FSA, the Congress acknowledged the importance of child care to help welfare recipients get jobs and leave and stay off welfare. States are required to provide child care to AFDC recipients participating in JOBS,[13] if they need it, and a year of transitional child care to recipients who leave AFDC because of employment. Federal funds for this child care are uncapped, and states must provide matching funds to acquire them. If a state cannot provide child care, it cannot require the AFDC recipient to participate in JOBS. Therefore, a shortage of state funds for child care can limit the number of AFDC recipients participating in JOBS.

[12]This analysis was based on each state's fiscal year 1993 rate of spending per participant.

[13]FSA guarantees child care to AFDC recipients participating in JOBS or in other state-approved education and training programs as well as to employed AFDC recipients.

Not all JOBS participants receive child care assistance,[14] but spending for child care assistance has been growing. In fiscal year 1992, less than 22 percent of JOBS participants received AFDC child care financial assistance, and federal and state expenditures for AFDC and transitional child care totaled about $755 million. From 1991 through 1993, spending for AFDC child care grew faster than spending for JOBS, as shown in figure 2.

**Figure 2: Total Federal and State Expenditures for JOBS, AFDC Child Care, and Transitional Child Care** (Fiscal Years 1991-1993)

FSA child care requirements may have an unintended effect on the availability of child care for the working poor who do not receive AFDC. Several funding sources are intended to serve low-income families in general, but only current or recent AFDC families are guaranteed child care. We recently reported that some states have been shifting resources from poor working families toward entitled AFDC and JOBS recipients. This can

[14]Welfare recipients may rely on unpaid informal child care arrangements. We are currently studying the utilization of child care by JOBS participants.

place working poor families at greater risk of becoming dependent on welfare.[15]

## Programs Serving More at Risk of Long Welfare Stays, but Some Still Not Widely Served

FSA targeted for assistance certain AFDC recipients who were at risk of remaining on welfare for long time periods, and states have generally met the requirements to serve these recipients. However, certain recipients who need help to avoid long-term welfare dependence, such as teenage parents, are not being widely served and may be more difficult or costly to serve.

### JOBS Programs Have Served Target Group Members

The Congress recognized that some recipients depend on AFDC for longer time periods and may need extra help to achieve employment and self-sufficiency, and it targeted these recipients for JOBS benefits.[16] While research shows that many of those who use AFDC do so for relatively short periods of time, most of those enrolled in AFDC at a point in time are in the midst of what will be a long period of welfare receipt and receive a large share of the AFDC benefits. Some of these families stay on welfare continuously for long time periods, but many leave AFDC only to return in a few years.[17]

These long-term and cyclical recipients may have barriers to employment, such as low education and literacy levels and a lack of skills and work experience. Many have other, less tangible, barriers to self-sufficiency, such as low self-esteem, limited life skills, or low motivation. These recipients are less likely to find employment on their own and may require more services to prepare for employment; therefore, targeting them could result in greater long-term benefits and savings.

States have responded positively to JOBS' emphasis on targeting services to long-term and potential long-term AFDC recipients. In 1991, we reported that states had shifted their stated priorities from serving those considered ready for employment to those who generally have barriers to

[15]Child Care: Working Poor and Welfare Recipients Face Service Gaps (GAO/HEHS-94-87, May 1994).

[16]States are required to spend at least 55 percent of their JOBS program resources on recipients and applicants who have received AFDC for any 36 of the preceding 60 months; custodial parents under the age of 24 who (1) have not completed or are not enrolled in high school or high school equivalency courses or (2) have little or no work experience in the preceding year; or members of families about to lose their AFDC eligibility because of the age of the youngest dependent child. If states do not meet these requirements, their federal match is reduced.

[17]Overview of Entitlement Programs: 1994 Green Book, Committee on Ways and Means, U.S. House of Representatives (Washington, D.C.: 1994), pp. 440-442; and Mark Greenberg's Beyond Stereotypes: What State AFDC Studies on Length of Stay Tell Us About Welfare as a "Way of Life," Center for Law and Social Policy (Washington, D.C.: 1993).

employment.[18] In fiscal years 1991 and 1992, more than half of JOBS participants were members of the target groups defined by FSA, and some programs have shown the potential to succeed with long-term recipients. However, some JOBS programs have met the mandates to serve target group members while also serving mostly volunteers, who may be more motivated or easier to serve than non-volunteers. In our 1994 national survey of county JOBS administrators, about half reported giving priority to recipients who are highly motivated.

## Teens Have Been Unevenly Served and Present a Special Challenge

Our recent work lends support for JOBS' special emphasis on teen parents, but a large majority of this at-risk group is not involved in welfare-to-work activities. In two reports issued in May 1994, we noted that a focus on helping teen mothers avoid long-term welfare dependence is important because their low levels of education and work experience and the young age of their children increase the likelihood of long-term welfare dependence.[19,20] Yet, in a 1992 review of 16 states containing most of the nation's AFDC teen mothers, we found that, overall, only 24 percent of them had been enrolled in JOBS.[21]

Our work and other recent evaluations highlight that teen mothers are a heterogeneous group with many complex problems; yet limited evidence exists about what works to help them gain self-sufficiency. In our 1992 review, we found that teen parents who received enriched services, such as educational alternatives to mainstream public high school, life skills training, or parenting classes, were more likely to complete high school or its equivalent than those not provided such services in the 16 states surveyed. An Ohio program that requires AFDC teen mothers to complete high school or its equivalent,[22] or offers similar types of comprehensive or intensive services to teen mothers, also had some success in helping teen parents complete their education, especially teens who had not yet

[18]Welfare to Work: States Begin JOBS, but Fiscal and Other Problems May Impede Their Progress (GAO/HRD-91-106, Sept. 1991).

[19]Families on Welfare: Teenage Mothers Least Likely to Become Self-Sufficient (GAO/HEHS-94-115, May 1994).

[20]Families on Welfare: Focus on Teenage Mothers Could Enhance Welfare Reform Efforts (GAO/HEHS-94-112, May 1994).

[21]Welfare to Work: States Move Unevenly to Serve Teen Parents in JOBS (GAO/HRD-93-74, July 1993).

[22]See LEAP: Interim Findings on a Welfare Initiative to Improve School Attendance Among Teenage Parents, Ohio's Learning, Earning, and Parenting Program, Manpower Demonstration Research Corporation (New York: 1993).

dropped out of school.[23] However, the extent to which these types of programs can further help teen parents get jobs and leave AFDC in the long-run is not yet known. One recent study of a comprehensive program designed to help young mothers who have dropped out of high school had not increased employment, reduced welfare receipt, or delayed additional pregnancies after 18 months, although these effects may appear over a longer period of time.[24]

## Programs May Not Be Serving Other Recipients at Risk of Long-Term Welfare Receipt

Various sources indicate that problems such as substance abuse, learning disabilities, emotional problems, and domestic violence are not uncommon among adult welfare recipients. If left unaddressed, these problems can interfere with a recipient's ability to get or keep a job and may result in long-term welfare dependence. The extent of these problems is generally unknown, and few accepted national estimates are available. For example, recent estimates of the proportion of adult AFDC recipients who abuse drugs or alcohol to the extent that they would need treatment to participate in a JOBS-like program vary from 15 to 28 percent.[25]

In 1987, we reported that some past welfare-to-work programs screened out people thought to be difficult or expensive to serve,[26] and our recent work suggests that this may still be true. When we surveyed 51 state administrators in 1994, some reported a reluctance to serve such recipients. Over one-fourth acknowledged they intentionally deferred the hard to serve or selected those who may be easier to serve. Administrators said that JOBS regulations do not provide incentives to serve such recipients, and, when they do serve them, it takes longer to prepare them for work. In addition, they cited a lack of funding and insufficient special services in the community to meet these participants' special needs.

## Implications of Asking JOBS to Serve More

Although most welfare reform proposals would require JOBS to serve a much larger portion of the AFDC caseload, to do so, JOBS programs would have to overcome challenges concerning program capacity and recipients'

[23]See LEAP: The Educational Effects of LEAP and Enhanced Services in Cleveland, Manpower Demonstration Research Corporation (New York: 1994).

[24]See New Chance: Interim Findings on a Comprehensive Program for Disadvantaged Young Mothers and Their Children, Manpower Demonstration Research Corporation (New York: 1994).

[25]The two estimates are based on studies done by HHS (15 percent) and Columbia University's Center on Addiction and Substance Abuse (28 percent). They both used the National Household Survey on Drug Abuse, developed by HHS, for their primary source of statistical information. The differences in their estimates result from variations in the criteria they used in defining the threshold of substance abuse indicative of the need for treatment.

[26]Work and Welfare: Current AFDC Work Programs and Implications for Federal Policy (GAO/HRD-87-34, Jan. 1987).

characteristics. If the number of AFDC recipients participating in JOBS expanded significantly, the larger group could have different needs than current JOBS participants and may be harder or more costly to serve. Members of the larger group also may be less willing to participate or have barriers significant enough to interfere with their ability to participate unless they receive extra support and services. In some cases, as with some teen parents, the research has failed to point clearly to what types of services most effectively address these complex problems. In addition, if assistance is time limited, some recipients may reach the time limit before they have completed their work preparation activities.

Program administrators told us that they are concerned about their capacity to increase dramatically their program size given the limitations on current capacity and the likelihood that some of the new recipients may be harder or more costly to serve. The effect of requirements to serve more recipients depends, in part, on the resources provided and the flexibility afforded the states in designing their programs. Currently, programs must make difficult decisions about how best to use their resources. Some choose to cover larger segments of the AFDC population by providing few or less costly services to many recipients, while others emphasize more intensive and expensive services to a smaller number of people. Requirements to serve more recipients without commensurate increases in funding could result in less assistance per recipient at a time when programs may be reaching out to their harder to serve, more costly recipients.

An adequate supply of community services may not be readily available to meet the needs of additional participants. Also, the cost per participant could rise as programs fully use community resources available to them at no charge and have to pay for local services. Even with additional funds, some administrators questioned whether they could meet the needs of all participants, given limitations such as transportation, staff, and community resources.

Serving more participants can also increase costs and pressures on service delivery systems associated with JOBS. More participants would require additional child care funding at both the state and federal level to guarantee child care to more recipients. This in turn could further reduce child care subsidies for poor working families, placing them at greater risk of going on or returning to welfare. In addition, some proposals require participation of mothers with children as young as 12 months or even younger for the next child. Such changes would increase demand for child

care for infants and toddlers, which can be more expensive and generally is less available. Finally, JOBS participants use many services that are intended for use by the community at large, such as JTPA and adult basic education. Significant increases in JOBS participants could limit access to these services for the non-AFDC working poor.

## JOBS Is Not Well Focused on Employment

The current JOBS program is not well focused on the ultimate goal of employment. Local programs have not developed the strong links to employers that may help welfare recipients get jobs. We believe that this may be explained, in part, by the current JOBS performance measurement system. Because the system is based on participation in program activities and not on employment outcomes, states have had no direct incentive to move clients into jobs. Under proposed reforms, JOBS will need to focus more on employment. However, even with an increased focus on employment, factors external to JOBS may limit the program's ability to ensure that participants get and keep jobs.

### Many Programs Not Fully Using Available Tools to Link Program Participants to Employers

Most local JOBS programs nationwide have not forged the strong links with employers that may help get jobs for their participants. Preliminary results of our work indicate that JOBS programs do not fully use the tools provided under FSA to move JOBS participants into jobs or provide work opportunities despite some evidence that these tools can promote employment or create work opportunities. Factors both within and beyond the control of JOBS programs hamper the use of these tools.

JOBS makes available a range of tools to help welfare recipients get jobs. In addition to preparing AFDC recipients for employment through education and training, JOBS programs are required to help place job-ready recipients in jobs.[27] While the job ready are expected to engage in job search activities, JOBS programs must conduct job development activities, including identifying job openings, marketing clients to employers, and arranging interviews for clients. Also, JOBS allows programs to provide temporary financial incentives to employers that hire and train JOBS participants through on-the-job training and work supplementation.[28] And,

[27]Programs may have varying criteria on when a participant is considered job ready. However, when a program considers a client ready to work according to its criteria, it should take steps to help this participant secure a job.

[28]In on-the-job training programs, JOBS programs may use JOBS funds to reimburse the training and supervision costs of an employer who hires a JOBS client. Under a work supplementation program, all or part of the AFDC grant is diverted to an employer to cover part of the cost of wages for a JOBS participant for up to 9 months.

programs may place participants with governmental and nonprofit organizations to gain work experience while participants continue to receive their AFDC grant. Under work experience programs, employers are not reimbursed and the participant is not considered a regular paid employee.

These workplace-centered tools can make a difference in promoting employment or creating meaningful work opportunities for welfare recipients. Rigorous evaluations of JOBS and similar programs have identified job development as a potentially important factor in effective programs.[29] In addition, on-the-job training and work supplementation, a mechanism that supports on-the-job training, have been used to move disadvantaged individuals into employment.[30] While studies have shown that work experience activities do not increase employment or earnings or reduce welfare receipt, they do provide welfare recipients with the opportunity to work productively in the community.[31] These workplace-centered tools can be used by varied JOBS programs, including ones that focus on immediate job placement as well as ones that emphasize longer term education and training.

Although identified as a potentially important tool for moving JOBS participants into employment, the extent of job development performed nationally does not meet the needs of current JOBS participants looking for work. In mid-1994, almost all of the nation's counties used job search in their programs, with a median of 10 percent of their participants involved. However, almost 60 percent of a nationally representative sample of county JOBS administrators we surveyed responded that they could market to employers or arrange on-site interviews for only some or few of their job-ready participants. In addition, about half said they worked only sometimes or rarely with private-sector employers to identify or create jobs for participants. Finally, more than half of the local administrators

[29]See GAIN: Two Year Impacts in Six Counties; GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program; Duane E. Leigh, "Did FIP Increase the Self-Sufficiency of Welfare Recipients in Washington State? Evidence From the FIS Data Set," Institute for Research on Poverty, University of Wisconsin-Madison, Discussion Paper no. 1012-93 (Madison, Wisc.: 1993).

[30]Carol Romero, JTPA Programs and Adult Women on Welfare: Using Training to Raise AFDC Recipients Above Poverty, National Commission for Employment Policy (Washington, D.C.: March 1994); Laurie J. Bassie and Orley Ashenfelter, "The Effect of Direct Job Creation and Training Programs on Low-Skilled Workers," Fighting Poverty: What Works and What Doesn't, ed. Danzinger and Weinberg, Harvard University (Cambridge, Mass.: 1986).

[31]A review of several work experience programs in the 1980s showed that the work performed for governmental and nonprofit organizations generally provided benefits to taxpayers that outweighed program costs. Also, both participants and their worksite supervisors reported that the work was meaningful. See Unpaid Work Experience for Welfare Recipients: Findings and Lessons, Manpower Demonstration Research Corporation (New York: 1993).

reported that, in their opinion, they did not do enough job development to meet their clients' needs.[32]

Workplace-centered activities play a small role in JOBS and involve very few participants, generally those who are carefully chosen to attract and maintain the interests of employers. In mid-1994, about one-quarter of the nation's counties had JOBS participants in on-the-job training, and about 8 percent had participants in work supplementation. These counties generally placed less than 1 percent of their JOBS participants in these activities. While almost all, 91 percent, of the counties enrolled some participants in work experience, the actual portion of participants involved was small, with a median of 9 percent, in the counties. Administrators we spoke with emphasized the importance of screening and selecting able and motivated participants to place with employers to recruit employers and maintain their interest in participating in the programs.

Insufficient staff, certain federal requirements, labor market conditions, and overall federal program design hamper use or expansion of these tools. County JOBS administrators reported that they want to implement or expand the use of these tools in their JOBS programs but most often cited an insufficient number of staff to develop and administer these activities as a major hindrance to their initiation or expansion. Many administrators also noted that a federal requirement restricting work supplementation slots to employers' newly created positions limits their abilities to recruit employers.[33] In addition, at least 40 percent of the administrators believed current labor market conditions were a moderate or major hindrance. In 1993, unemployment rates reached 8 percent or more in one-third of the nation's counties; employment growth was 1.5 percent or less in half of the nation's counties and negative in one-third of the counties. We also believe that the limited focus on employment in JOBS as currently administered at the federal level does not promote implementing these activities. Because program administrators can meet all federal program requirements without redirecting scarce resources to job development, on-the-job training, work supplementation, or work experience, they have little incentive to do so.

[32]To determine the extent of job development performed, we asked JOBS administrators about all job development activities performed on behalf of JOBS participants, including those activities conducted by paid contractors and those performed on a nonreimbursable basis. While welfare agencies took the lead in performing job development, others involved included JTPA agencies, state employment services, community-based organizations, and other education and training providers.

[33]This restriction is designed to protect existing employees from being displaced by work supplementation participants. It also applies to work experience.

HHS officials we interviewed at headquarters and in the 10 regional offices noted the limited use of job development and other tools available to help participants get jobs or provide work opportunities. Some believed that JOBS programs often placed a lower priority on job development activities than on meeting participation requirements. To encourage job development, HHS has provided workshops and training. It has also provided on-site technical assistance at 10 sites across the country and plans to provide such assistance at 4 more sites. In addition, HHS officials noted that activities such as on-the-job training, work supplementation, and work experience are difficult to develop and administer. HHS has periodically provided guidance on the use of these tools and maintains a databank on promising JOBS practices that includes information on them. However, decisions on emphasizing job development and the other activities are left up to the states.

## State JOBS Programs Are Held Accountable for Participation, Not Employment

The performance measurement system for JOBS provides little incentive for states to focus on moving clients into jobs. As mandated by the FSA, states are held accountable for the number and type of participants enrolled in activities, such as education and training. States can lose a portion of their federal funding if they fail to meet participation standards. As a result, JOBS programs may focus more on getting clients into program activities than off AFDC and into jobs.

FSA specified minimum program participation standards and required the Secretary of HHS to develop and submit recommendations for outcome-related JOBS performance standards to the Congress by October 1993. This requirement was amended in late October of this year to require HHS—instead of developing performance standards at this time—to develop criteria for such standards no later than October 1, 1994. HHS submitted a report on the problems identified in developing a performance measurement system and a detailed plan and schedule for developing outcome-based measures and standards to the Congress on September 30, 1994. In its report, HHS stated that it plans to finalize performance measures for JOBS by October 1, 1996, and standards by October 1, 1998. HHS officials said they have proceeded cautiously in developing outcome-related performance standards, in part due to concerns that (1) setting certain standards might result in unintended program decisions, such as focusing on the most job-ready individuals to generate more favorable outcomes, and (2) outcome measures are not consistently related to program effectiveness. However, HHS officials said they are

pursuing an outcome-focused performance measurement system in the context of welfare reform legislation and as a separate initiative.

HHS currently focuses its JOBS data collection on measures of participation, rather than outcomes. HHS collects information on the numbers of program participants, expenditures on target group members, and the activities in which individuals are participating on a monthly basis. While HHS collects some outcome-related data, it does not track the total number of individual JOBS participants who get jobs or leave AFDC. In addition, HHS does not gather data on the extent to which JOBS program participants retain the jobs they get, the extent to which clients who leave AFDC for work return to the rolls, and whether teen parents are completing high school and subsequently getting jobs.

As HHS recognizes, establishing outcome standards for JOBS that motivate states to get more participants employed, without creating unintended negative program effects, will be difficult and must be approached carefully. However, even without establishing standards, data gathered on the outcomes of JOBS participants can help monitor the progress of participants and assess the status of program operations. Today, little nationwide outcome data are gathered, although many states have been independently collecting these data. In a 1994 GAO survey, the majority of state JOBS administrators told us they believe HHS has not sufficiently shifted the program's focus to outcome-based performance measurement.

## Weak Workplace Links Have Implications for Reform

The current system's limited focus on employment and its weak workplace links raise important issues for reform. Although strong links to employers appear to be important elements in the more noteworthy JOBS programs, many factors impede these links. Expanding JOBS as it currently operates will not guarantee improved links with the workplace; JOBS must better focus its efforts on employment.

In addition, these weak links to the workplace pose challenges for proposed reforms requiring those unable to find work after a set time limit to enter subsidized work programs. As evidenced by the minimal use of existing workplace-centered activities, the infrastructure to support these extensive work programs is limited. Time and resources would be needed to carefully develop these programs, which could divert program attention away from helping JOBS participants develop their skills and find employment before they reach their time limit. Moreover, existing programs appear to place the better prepared participants in

workplace-centered activities to recruit and maintain employer interest. Under reform proposals, these activities often may be offered as a last resort for those who have not yet found employment. Programs will need to ensure that these participants are adequately prepared for work since employer interest and cooperation will be crucial under reform.

## Factors External to JOBS May Limit Its Success

If JOBS can serve more participants and focus more on employment, the number of participants getting jobs and leaving welfare could increase; however, these efforts are unlikely to end the need for welfare due to factors outside the control of JOBS programs. A recent evaluation of one of the most noteworthy programs evaluated to date—one that serves a large portion of its local AFDC recipients and has a strong focus on employment—found that, after 3 years, 23 percent of the participants were both working and off AFDC.[34] JOBS program results to date may be due, in part, to conditions external to JOBS. These may include the lack of available jobs in some locations, the volatility of the low-wage labor market, the lack of strong financial incentives to seek and keep employment, and a lack of health care coverage, child care, or transportation. In addition, for those who find jobs, their earnings may often be too low to allow them to leave welfare permanently and escape poverty.

# Conclusions

It will be difficult for JOBS to serve significantly larger numbers of AFDC recipients and help them gain employment and leave AFDC, given current conditions. Although the challenge of serving recipients with multiple barriers to employment, combined with limitations caused by factors outside the program, suggest that JOBS alone will not end the need for welfare, JOBS has shown promise in helping some AFDC recipients get jobs and leave welfare.

Our work addresses a number of issues that will confront the Congress as it considers reforming welfare and asking more of JOBS. We are not making recommendations at this time but will be addressing each of these issues in more depth as we complete our ongoing work. The issues include

[34]See a discussion of the program in Riverside, California, in James Riccio's and others' GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program. For program impact, this 23 percent should be compared to about 18 percent of the control group who were both working and off AFDC after 3 years. The control group comprises those who were not enrolled in the program but were free to seek out community services on their own.

- the small portion of the AFDC caseload currently served under JOBS and the current limits on programs' ability to provide needed services;
- the unknown number of AFDC recipients who have multiple barriers to employment, are at risk of long welfare stays, and may not be widely served under the current program;
- JOBS' underutilization of the tools available to link participants to employers and the lack of a basic foundation for building subsidized work programs; and
- JOBS' lack of a performance measurement system that encourages states to focus on employment as the ultimate program goal.

## Agency Comments

In commenting on a draft of this report, HHS disagreed with our conclusion that JOBS programs are generally not well focused on employment. While we agree with HHS that programs may choose many routes, including education and training, to help participants obtain employment, JOBS programs are required to take steps to help participants find jobs when they are considered ready for work. Yet, as noted in the report, a majority of JOBS program administrators nationwide stated that they do not do enough to help these participants find jobs. We believe that efforts to place participants in jobs are as important as efforts to prepare them for work. In addition, we believe it is important to point out that JOBS' current performance measurement system is not focused on job placement.

HHS also believed we did not include sufficient information on the progress it and the states had made in implementing JOBS and that the report tone was too negative. We disagree. Our report clearly recognizes that states and HHS have made some progress in implementing JOBS and that some programs have achieved noteworthy results. We also recognize that programs have made progress in serving those at risk of long welfare stays and that JOBS holds potential as a means to help AFDC recipients get jobs and leave AFDC. However, while some progress has been made, we believe that the issues we identified in the report are common among JOBS programs nationwide and are ones that the Congress will confront as it considers welfare reform. These issues include the small portion of the AFDC caseload served, the lack of focus on employment as the goal, and the challenge of serving the hard to serve.

HHS also raised other concerns (also see app. II) and provided technical comments that we have addressed in the text of the report as appropriate.

Our work was conducted from April 1993 to November 1994 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Chairman, Subcommittee on Human Resources, House Committee on Ways and Means; Secretary of Health and Human Services; and other interested parties. Copies will also be made available to others on request. If you have any questions concerning this report or need additional information, please call me on (202) 512-7215. Kay Brown, Gale Harris, and Stephen Secrist contributed to this report.

Sincerely yours,

Jane L. Ross

Jane L. Ross
Director,
Income Security Issues

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**Abbreviations**

| | |
|---|---|
| AFDC | Aid to Families With Dependent Children |
| FSA | Family Support Act of 1988 |
| HHS | Department of Health and Human Services |
| JOBS | Job Opportunities and Basic Skills Training program |
| JTPA | Job Training Partnership Act |

# Objectives, Scope, and Methodology of Ongoing Work

Our objectives for this report were to assess the progress that states and HHS have made in (1) serving more AFDC recipients in JOBS and (2) using JOBS to help AFDC recipients get jobs and end dependence. We also sought to assess the implications of that progress for welfare reform proposals. To accomplish our objectives, we relied on previously released GAO reports, other published research on the JOBS program, and the preliminary results of four ongoing studies on JOBS implementation. In all four studies, we have collected most of the data and are analyzing results. Specifically, these evaluations address program capacity, hard-to-serve AFDC families, states' efforts to move JOBS participants to employment, and JOBS outcomes. We will issue reports for these studies when completed.

## JOBS Capacity Issues

To address the concern that states' limited fiscal capacities and other factors constrain the expansion of education, training, and supportive services under JOBS, we are examining four key questions: (1) Who is, and is not, being served under the JOBS program; and what is the range of education, training and support services they are receiving? (2) What are the constraints and barriers to expanding the JOBS program? (3) What are possible strategies for overcoming these barriers? (4) What are the implications of these findings for the design of a time-limited welfare system?

## Methodology

To answer the question about who is currently being served and who is not and the range of services participants are receiving, we are analyzing national data from HHS on JOBS participants and AFDC recipients for fiscal year 1992, including the JOBS participant database and the AFDC quality control file. We are also analyzing the 1992 Current Population Survey. In addition, we conducted computer-aided telephone interviews of a nationally representative stratified sample of county and local JOBS programs to identify the extent of current capacity constraints. We held discussions with four small groups of county-level program officials to identify constraints on various JOBS expansion scenarios and strategies for expanding the JOBS program. We identified implications for a time-limited welfare system through discussions with these small groups and our own analysis.

## Hard-to-Serve Families

Some AFDC recipients have personal, family, or situational problems that can interfere with their attendance in JOBS activities or employment. To determine the extent of these problems and whether these hard-to-serve

families are receiving services, we addressed the following questions: (1) Who are the hard to serve and what portion of AFDC recipients do they represent? (2) To what extent are they referred to and receiving social services? (3) What factors discourage states from serving more of them? (4) What approaches are effective in meeting their needs? (5) What is the implication for this group of time-limited benefits under welfare reform?

## Methodology

To determine the size, characteristics, and needs of hard-to-serve families, we surveyed state JOBS administrators on the difficulty of identifying the hard to serve and the likelihood that referrals are made; programmatic and situational factors that discourage states from serving them; and the effect welfare reform proposals may have in helping the hard to serve become self-sufficient. We also interviewed program officials and experts, analyzed federal and state data, researched the literature to identify state and local programs using various service strategies for the hard to serve, and visited selected sites.

## Moving to Work-Based Welfare

JOBS provides state and local welfare agencies several tools to find and create employment opportunities for AFDC recipients participating in JOBS. These include job development and placement, work experience, on-the-job training, and work supplementation or grant diversion. To learn about states' experiences in using these tools and provide information on proposed reforms, we addressed these questions: (1) To what extent are states using private-sector job development and placement, subsidized employment, and work experience for welfare participants? (2) What are the barriers to expanding such efforts? (3) How might these barriers be overcome? (4) What are the implications of these findings for the design of a time-limited AFDC program?

## Methodology

To answer these questions, we surveyed a nationally representative stratified random sample of county JOBS administrators. For additional information on strategies, barriers, and implications for reform, we spoke with program administrators at HHS and the Department of Labor, welfare experts, union officials, and welfare advocates. We also visited sites using job development, employer subsidies, and work programs. In addition, we collected AFDC and economic data to describe selected aspects of the sampled counties and to understand the implications of our findings for welfare reform.

## JOBS Outcomes

To learn about JOBS outcomes, we addressed the following questions: (1) What outcome data exist on the number of JOBS participants who are finding employment and leaving welfare? (2) To what extent are HHS and the states monitoring JOBS program outcomes and using performance standards? (3) What issues should be considered in establishing an effective national JOBS performance monitoring system?

## Methodology

To assess overall program objectives, operating philosophies, and performance monitoring practices, we surveyed the JOBS program directors in the 50 states. We analyzed data on client outcomes that the states report to HHS as well as outcome data reported on the questionnaire. We discussed with HHS officials their approach to JOBS performance monitoring and issues related to establishing national performance standards for JOBS. We also consulted other experts about the latter.

# Comments From the Department of Health and Human Services

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

NOV 29 1994

Ms. Jane L. Ross
Issue Area Director,
Income Security Issues
United States General
Accounting Office
Washington, D.C. 20548

Dear Ms. Ross:

Enclosed are the Department's comments on your draft report, "Welfare-To-Work: Experience With JOBS Suggests Reform Will Be Difficult." The comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely yours,

June Gibbs Brown
Inspector General

Enclosure

**COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE U.S. GENERAL ACCOUNTING OFFICE'S REPORT WELFARE-TO-WORK: EXPERIENCE WITH JOBS SUGGESTS REFORM WILL BE DIFFICULT**

General Comments

The report notes the general accomplishments of States in implementing the Family Support Act (FSA). In some cases, however, it overlooks or downplays some of the accomplishments of the States and the Federal government. Also, it does not give adequate attention to features in the various welfare reform legislative proposals which would facilitate more effective programs. Thus, it may overstate the difficulties of achieving successful reform.

The FSA provided a solid foundation for recent welfare reform proposals, including the Administration's proposed Work and Responsibility Act. It moved the welfare system from one focused on income maintenance to one which is concerned with the self-sufficiency of welfare recipients. It established the mutual responsibility of recipients and welfare agencies to work towards self-sufficiency and took the initial steps necessary to set up a system which would hold States accountable for performance in this area.

Also, several studies (the Saturation Work Initiative Model (SWIM); the Riverside County, California Greater Avenues for Independence (GAIN) program; and the Teen Parent Demonstration program) have shown that it is feasible to "saturate" the mandatory caseload--even the hard-to-serve recipients--as long as certain conditions such as adequate resources and management commitment exist. The General Accounting Office (GAO) report could be more constructive by exploring what is necessary to increase participation--such as increased Federal match rates, increased Federal funding, or different definitions of participation.

While funding problems and caseload increases made it more difficult to achieve all the goals of the FSA, progress in moving towards an employment-focused system has been significant and should not be underestimated.

Focus on Employment

The report indicates that Job Opportunities and Basic Skills Training (JOBS) programs are generally not well focused on recipient employment as the ultimate program goal. The Department would disagree with that statement.

Program Design

First, this claim seems to be largely based on low levels of participation in selected JOBS component activities, such as job

development, on-the-job training (OJT), work supplementation, and work experience. The tone of the report suggests that, by not emphasizing these activities more, JOBS programs are not focused on employment.

While the work activities mentioned in the report provide important links to employment, all JOBS component activities can have important impacts on employment. In particular, job search helps applicants and recipients find immediate employment and is used extensively in JOBS programs.

The Family Support Act recognized several different possible routes toward the ultimate goal of employment, including education and training. Further, as GAO notes on page 5, the FSA gave States a great deal of flexibility to design their own JOBS programs. Thus, there is considerable variety in the way States seek to achieve their employment goals. In the best of programs they use leadership and cultural change, as well as program design.

State Efforts

States strongly support the notion that employment is the ultimate goal of the JOBS program. Their extensive use of job search as a key JOBS activity provides evidence of that support --as does the design of many of the States' welfare reform initiatives.

Many States are conducting or developing welfare reform initiatives under the Department's section 1115 demonstration authority. These demonstrations involve a clear focus on employment, with JOBS playing a critical role. In fact, these demonstrations build on the JOBS program, often combining changes to JOBS with changes in the incentive structure of Aid to Families with Dependent Children (AFDC), to maximize the incentives and resources devoted to increasing self-sufficiency. Examples of reforms designed to promote employment include:

- Time limits on the unconditional receipt of AFDC
- Stronger sanctions for failure to comply with JOBS
- Waivers of JOBS exemption criteria to expand participation mandates
- Changes in the income and resource disregards used for AFDC grant calculation
- Expanded availability of transitional assistance

Effective Practices

Research on which JOBS activities or approaches are most successful in promoting employment is ongoing. The JOBS evaluation currently underway will provide insights into the relative effectiveness of "human capital" versus "labor force attachment" models. However, research results obtained since the FSA was drafted (notably the findings from Riverside, California) have generated new interest in programs which focus more on early placement. States are contemplating changes in the design of their JOBS programs, and several of the welfare reform proposals (including the Work and Responsibility Act) increase the emphasis on job search and placement activities.

Employer Links

One cannot assume that welfare agencies lack a strong employment focus just because one sees no direct link between welfare agencies and employers. If existing service delivery systems, such as Job Training Partnership Act (JTPA), have good ties to the employer community, welfare agencies can rely on those existing systems for placements rather than developing their own, separate links. In fact, many JOBS programs operate in this manner.

Performance System

The GAO report states that the existing JOBS performance system has been one factor hampering the focus on employment. The report does not recognize the progress that has been made in moving to a more employment-focused system which includes outcome-based measures and standards.

The Family Support Act established participation rate and targeting requirements to govern the early implementation of the JOBS program. Over the longer term the authors envisioned movement toward a more outcome-based system. To that end, the FSA required that the Secretary provide recommendations on outcome-based performance measures to the appropriate committees of Congress by October 1, 1993. This requirement was subsequently amended and delayed. On September 30, 1994, the Secretary transmitted the required report. This report explained some of the problems the Department had identified (in both its research activities and in meetings it sponsored) in developing appropriate measures and standards. The report laid out a detailed plan and schedule for developing outcome-based measures and standards which would help strengthen its employment focus. Clearly, the Department is committed to the development of an outcome-based performance system. It has already begun embarking on the necessary additional activities.

JOBS Program Implementation

The GAO report should make sure to properly balance its discussion of implementation problems with a comparable discussion of program accomplishments. By implementing the JOBS program, each State took a dramatic step toward changing the role of the welfare office and the expectations for and by welfare recipients. The FSA marked the beginning of a major shift in welfare programs from income maintenance to self-sufficiency. By directing JOBS programs to draw on existing resources in the community before expending JOBS funds, FSA also fostered new welfare agency links with "a wide variety of community programs, such as JTPA programs, state or local adult basic education programs, the State employment service, Head Start, and community colleges." (page 5.) States were eager to accept the challenges presented by the FSA, and as described in the report, "Most states moved quickly to implement JOBS; by October 1990, 31 had statewide programs." (page 5.)

Participation Levels

JOBS programs have made substantial strides in increasing the number of AFDC recipients who participate in education, training, employment and related activities.

To help ensure that welfare agencies served substantial numbers of recipients, the Family Support Act placed participation rate requirements on each State, which increased over time. The FSA also targeted expenditures toward those who were traditionally considered the "hard-to-serve." "For the first time since AFDC began in 1935," it required "recipients with preschool children ...to prepare for and accept employment in order to receive their full benefits." (page 6.)

The GAO report implies that there has been very little growth in the number of individuals served in the JOBS program when in fact there has been a significant increase in the actual numbers served.

Based on data reported by the States on the Administration for Children and Families (ACF) Form 108, the average monthly number of JOBS participants has been increasing. Because of caseload growth, however, the percentage of the AFDC caseload participating in JOBS has not increased significantly. Just as States began the implementation of the Family Support Act, the economy took a downturn and caseloads swelled.

As GAO recognized in footnotes 11 and 12, the official JOBS participation rate numbers understate actual participation levels. A much greater number of AFDC recipients must participate over the course of time to achieve the specified monthly participation rates. Also, the participation rates only

count those individuals who are participating at a fairly intensive level. There are many individuals who are participating, but not at a high enough level to be counted in the rate.

States are working more intensively with JOBS participants than they did previously. The proportion of those participating at a level sufficient to be countable for participation rate purposes has increased significantly, from 52.8 percent of those participating at any level in Fiscal Year (FY) 1991 to 67.0 percent of those participating at any level in FY 1993.

Finally, in presenting numbers of the percentage of the total caseload that is participating in JOBS (for example, on page 11), the report diminishes the efforts of States in achieving significant participation levels. It does not recognize that there are a significant number of AFDC cases for which participation is neither realistic nor appropriate. Any measure of program participation should take these cases into consideration.

Program Goals and Accomplishments

The GAO report acknowledges that research has shown that JOBS programs can have positive impacts, increase employment and earnings levels, and reduce welfare rolls (page 6) and that the potential for a strong JOBS program exists (page 7). In general, however, we believe the report's tone is too negative.

In setting the standard for success in JOBS as being able "to move the majority of program participants into jobs and off AFDC" and "ending the need for welfare," the report creates unrealistic goals for JOBS. Some programs have achieved significant effects and should not be termed a failure just because they did not end the need for welfare. For example, the Riverside, California GAIN program increased earnings by 49 percent, reduced welfare costs by 15 percent, and saved $2.84 for every dollar invested in the program. These are impressive results for any government program and should be highlighted, rather than deemphasized.

The GAO report assumes that welfare reform will exacerbate current problems. In fact, welfare reform provides an opportunity to address and resolve them. Given the issues the report raises, a stronger case for the value of reform can be made. Following are some cases in point:

To deal with the demand for higher participation levels, some proposals--such as the Work and Responsibility Act--develop targeting or phase-in strategies.

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With respect to the child care discussion, a few of the legislative proposals suggest solutions to potential demand problems--such as increasing the Federal match rate for child care programs and providing additional funding for child care for the working poor.

# Abstracts of Related GAO Products

Child Care: Current System Could Undermine Goals of Welfare Reform (GAO/T-HEHS-94-238, Sept. 20, 1994).

Although almost 10 million children are on welfare today, the existing welfare system requires few of their parents to be in school or training. Welfare reform proposals, however, would require many more welfare recipients to participate in education or training as well as require them to find work after 2 years. Should such proposals be enacted, many more welfare parents will need child care subsidies. Yet only a small fraction of eligible parents have received child care subsidies. Furthermore, the fragmented nature of the child care funding streams, with entitlements to some client categories, time limits on others, and activity limits on others, produces unintended gaps in services. This limits the ability of low-income families to become self-sufficient. Finally, as states deplete funds for welfare clients, they often turn to funds earmarked for the child care needs of the working poor, putting the working poor at greater risk of welfare dependency. For all of these reasons, GAO believes that welfare reform's goal of economic independence for the poor could be undermined if the problems in the child care subsidy system are not adequately addressed.

JOBS and JTPA: Tracking Spending, Outcomes, and Program Performance (GAO/HEHS-94-177, July 15, 1994).

This report provides information on JOBS and JTPA, which Congress is considering consolidating. Together, the two programs account for about 60 percent of the federal employment and training funds for the nation's poor. Although JOBS is limited to welfare recipients, JTPA serves other economically disadvantaged persons as well. In examining the interrelationship between the two programs, GAO discusses how funds are spent and reported for education, job training, support services, and program administration. In addition, GAO examines the outcome-focused data that are collected and performance standards for the two programs.

Welfare to Work: JOBS Automated Systems Do Not Focus on Program's Employment Objective (GAO/AIMD-94-44, June 8, 1994).

JOBS is intended to help people avoid long-term welfare dependence by providing the education, training, work experiences, and services needed to obtain jobs. Although additional effort will be needed by HHS and the states to correct lingering data problems and incorporate further automation, the states have made progress developing computer systems

to support the JOBS program. These systems, however, are narrowly focused on tracking program participants and collecting and reporting data to HHS, missing the greater opportunity that the systems could offer. Despite the millions of dollars in welfare costs that could be saved by moving people off welfare and into jobs, HHS failed to determine how information technology could best be applied to help achieve this objective.

Families on Welfare: Sharp Rise in Never-Married Women Reflects Societal Trend (GAO/HEHS-94-92, May 31, 1994).

From 1976 to 1992, the proportion of single women receiving welfare who had never been married more than doubled, rising from 21 percent to 52 percent. This change parallels a broader societal trend among all single mothers. Women receiving welfare in 1992 were also more likely to have a high school diploma and to have fewer children. These demographic changes among single women receiving welfare mirrored similar trends among all single mothers. However, single women on welfare in 1992 were poorer than in 1976, even though they worked in about the same proportions. Total family incomes dropped due to a decline in the real value of earnings and welfare benefits. The dramatic growth in the number of never-married women receiving welfare has important policy implications. Not only have never-married women and their families driven welfare caseloads to record levels, these families also affect other programs. For example, child support is hard to obtain for never-married women, who are less likely to have child support orders. Moreover, because the growth in never-married women receiving welfare reflects broader societal trends, it is unclear what impact welfare reform may have on the growth in the number and proportion of never-married women receiving welfare.

Families on Welfare: Teenage Mothers Least Likely to Become Self-Sufficient (GAO/HEHS-94-115, May 31, 1994).

Women who gave birth as teenagers make up nearly half the welfare caseload—a sizable group. GAO found that this group of women is less likely to have high school diplomas and more likely to have larger families. Both these characteristics increase the likelihood of this group's being among the poorest welfare recipients. Even though they work in the same proportions as other women receiving welfare, they earn less and are more likely to have total family income below 50 percent of the poverty line. Given these differences, teenage mothers may have the hardest time

earning their way off welfare and becoming self-sufficient. As the Congress debates welfare reform, it may need to explore ways to discourage young mothers from becoming welfare dependent and encourage those who do to become more self-sufficient.

Families on Welfare: Focus on Teenage Mothers Could Enhance Welfare Reform Efforts (GAO/HEHS-94-112, May 31, 1994).

Welfare families headed by women who have either less than a high school education, little recent work experience, or children younger than age 6 are less likely to get off welfare quickly than are other families. These characteristics are especially prevalent among teenage mothers receiving welfare. Moreover, teenage mothers have long-term implications for the welfare system. Together, current and former teenage mothers make up a large percentage of the welfare caseload, totaling nearly 42 percent of all single women on welfare in 1992. And they are among the poorest welfare recipients—more than half of women who gave birth as teenagers had total family incomes below 50 percent of the poverty line in 1992.

Child Care: Working Poor and Welfare Recipients Face Service Gaps (GAO/HEHS-94-87, May 13, 1994).

In response to the growing number of working mothers with young children, the Congress created four new child care programs for low-income families. These programs received more than $1.5 billion in federal funding in fiscal year 1992. Although states are making strides toward coordination of federally funded child care services, some federal requirements, coupled with resource constraints, are creating gaps in delivering these services to the poor. Specific service gaps stem from program differences in (1) categories of clients who can be served, (2) limits on the type of employment that clients can undertake without compromising their benefits, (3) limits on the amount of income clients can earn without losing their eligibility, and (4) limits on the time during which clients can receive child care subsidies. Despite congressional expectations that the block grant, the largest of the four programs, would motivate states to boost direct support to working poor families needing child care, the existing fragmented system of subsidized child care appears to provide little incentive for states to do so. In an environment of finite resources, when the child care programs for welfare and recent welfare recipients are entitlements, there is pressure to serve these groups while equally needy working poor families may go unaided. Moreover, each of the four programs unintentionally divides the poor into categories that fail

to recognize the similarity of their economic plight and child care needs. State officials believe that they could better deliver child care that supports self-sufficiency if greater consistency existed across programs and if they had greater flexibility in spending their federal child care funds.

Multiple Employment and Training Programs: Major Overhaul Is Needed (GAO/T-HEHS-94-109, Mar. 3, 1994).

By GAO's count, at least 154 programs run by 14 federal agencies provide $25 billion in employment training assistance to jobless people. Although well intended, these programs, when taken collectively, tend to confuse and frustrate their clients and administrators, hamper the delivery of services to those in need, and potentially duplicate efforts and accrue unnecessary costs. In addition, some programs lack basic training and monitoring systems needed to ensure efficient and effective service. Past efforts to fix the system have fallen short. As a result, more programs evolve every year, and the problems inherent in the system loom even larger. GAO testified that a major structural overhaul and consolidation of employment training programs is needed. The goal should be a customer-driven employment system guided by four principles: simplicity, tailored services, administrative efficiency, and accountability. The administration's draft proposal to consolidate programs serving dislocated workers seems to be a step in the right direction; however, this consolidation needs to be part of a larger restructuring of employment training programs. GAO also has some questions about the proposal's implementation.

Child Care Quality: States' Difficulties Enforcing Standards Confront Welfare Reform Plans (GAO/T-HEHS-94-99, Feb. 11, 1994).

GAO questions the safety of child care being offered nationwide, both in terms of the physical environment—everything from working smoke detectors to properly stored food—and background checks for child care workers. Although the states are responsible for setting and enforcing quality standards, they are being challenged by the surge in demand for child care as well as by shrinking budgets. GAO found that 17 states did not conduct criminal background checks on child care center providers, and 21 states did not conduct checks of family day care providers. Although the Congress recently passed legislation to remedy this situation, it is too soon to know how much it will help. Welfare reform may also test states' ability to protect children. Recent proposals requiring welfare recipients to participate in training programs and find work within 2 years may increase

the demand for child care, potentially further straining state enforcement resources.

Self-Sufficiency: Opportunities and Disincentives on the Road to Economic Independence (GAO/HRD-93-23, Aug. 6, 1993).

The Family Self-Sufficiency Program, a partnership between the federal government and local public housing authorities, promotes local strategies to help poor families achieve economic independence and self-sufficiency. This report (1) examines how housing and social services policies affect beneficiaries when they land a job and increase their income and (2) analyzes the extent to which the law creates disincentives to upward income mobility. GAO concludes that training and supported work programs have successfully increased the earning of the economically disadvantaged who participate in them, but on average the earnings increases are not enough for a family to break free from all housing and public assistance programs.

Welfare to Work: States Move Unevenly to Serve Teen Parents in JOBS (GAO/HRD-93-74, Jul. 7, 1993).

JOBS can be used to help teen parents receiving welfare—even those considered hardest to serve—complete their high school education. In the 16 states GAO reviewed, about 24 percent of the teen parents receiving welfare had been enrolled in JOBS. The share of teen parents enrolled in each of these states, however, differed substantially, anywhere from 7 to 53 percent. Although the states varied in important ways that affected teen parents' enrollment, this finding is not unexpected in a program such as JOBS, which is a financial and programmatic partnership between the federal and state governments. GAO cannot yet draw any firm conclusions about the effectiveness of JOBS in helping these young mothers. The numbers served are relatively small and not enough is known about the impact of JOBS on reducing welfare dependence among teen parents and their families. Moreover, JOBS is a relatively new program that has been operating in an environment of mounting fiscal distress and competing demands on state budgets. However, as state programs evolve, the economy recovers, and states choose to target more funds to JOBS, states may have greater capacity to enroll teen parents and strengthen the education and support services tailored to their needs. Because some teen parents have been improperly excluded from JOBS and states may be missing opportunities to enroll teen parents before they become welfare cases, GAO believes that steps should be taken to ensure that all teen

parents are properly identified and told of the requirements for participating in JOBS.

Welfare to Work: JOBS Participation Rate Data Unreliable for Assessing States' Performance (GAO/HRD-93-73, May 5, 1993).

To encourage state JOBS programs to serve more welfare recipients, the Congress mandated minimum participation rates that states must meet each year. States failing to meet or exceed the annual rates can lose millions of dollars in federal JOBS funds. GAO found that HHS is locating millions of dollars in federal JOBS funds on the basis of inaccurate state-reported participation rate data. These data are not comparably derived across states and should not be relied on when comparing states' performance. Much of the inaccuracy in these data is attributed to states' difficulties in collecting and processing all the required data and misinterpretation of JOBS regulations and HHS instructions. As minimum annual participation rates rise, it will become even more important that these issues are resolved. GAO believes that unless HHS simplifies its participation rate reporting requirements and increases its oversight of states' processes, states will continue to report noncomparable and inaccurate data.

Welfare to Work: States Serve Least Job-Ready While Meeting JOBS Participation Rates (GAO/HRD-93-2, Nov. 12, 1992).

Concerns have arisen that JOBS participation rate requirements may be discouraging states from serving the least job-ready welfare recipients, including educating and training them. GAO discovered, however, that these concerns are unsupported by data that states reported to HHS during fiscal year 1991. All but one state met the 7 percent participation rate for fiscal year 1991, and all spent at least 55 percent of their JOBS budgets on target group members. Of those welfare recipients serviced by states participating in JOBS during this period, 62 percent were target group members. These target group members were most often placed in education and training activities, with no more than 12 percent placed in job search activities. In addition, one in three target placements, compared with one in four nontarget placements, was in secondary and remedial educational activities.

Welfare to Work: Implementation and Evaluation of Transitional Benefits Need HHS Action (GAO/HRD-92-118, Sept. 29, 1992).

Under the FSA, families trying to work their way off welfare can receive up to 12 months of child care and medical assistance. Insufficient data prevent GAO from fully analyzing the issue of transitional benefits, including factors affecting their use and how long families receive such benefits. GAO concludes that evaluating transitional benefits will prove complex and challenging. Unless HHS renews its evaluation planning and data collection efforts, HHS will probably be unable to report to the Congress next year on the impact of transitional Medicaid on welfare dependency. In addition, the evaluation of transitional child care will be in jeopardy unless a strategy and schedule for completing it are developed. The number of families receiving transitional benefits grew during the first 15 months of the program. Yet many state policies, despite federal notification requirements, do not require that families be told about benefits when they become ineligible for welfare. Some state policies also prohibit families from applying for benefits retroactively within the 12-month eligibility period. Until these state policies are reviewed and brought into compliance with federal requirements, families in these states will be at greater risk of being uninformed about and have limited access to transitional benefits.

Welfare to Work: States Begin JOBS, but Fiscal and Other Problems May Impede Their Progress (GAO/HRD-91-106, Sept. 27, 1991).

States have made significant progress establishing their JOBS programs, but are experiencing difficulties that could reduce the program's potential and slow states' progress in helping people avoid long-term welfare dependence. All states had programs in place by the mandated implementation date of October 1990, and 31 were operating statewide in October 1990, 2 years earlier than the legislative requirement for programs to be operating statewide. In addition, most states are moving in new directions indicated by the Congress, such as making education and training important program components and targeting services to those with employment barriers. However, in their first year of implementing JOBS, states have reported experiencing, or expecting to experience, some difficulties, including shortages of such services as basic/remedial education and transportation. HHS has provided, and continues to provide, states with technical assistance to help them with their difficulties. However, service and funding shortages and poor economic conditions could decrease states' abilities to operate JOBS and slow their progress.

Mother-Only Families: Low Earnings Will Keep Many Children in Poverty (GAO/HRD-91-62, Apr. 2, 1991).

In 1987 slightly over 60 percent of the children below the poverty line lived in families headed by the mother alone. This report (1) provides an empirical estimate of the magnitude of the problems mother-only families face in escaping from poverty and (2) examines federal policies that could help them. GAO found that many single mothers will remain at or near the poverty line despite their holding full-time jobs. Low earnings, vulnerability to layoffs, lack of important fringe benefits like health insurance, and relatively high expenses for child care are some hurdles these women face. These problems also challenge the federal programs that seek to reduce the number of children living in poverty. GAO found that 1990 legislation that expanded the earned income tax credit and child care subsidies could increase the percentage of poor families that get along without welfare. Nevertheless, if poor women do not obtain better job skills to increase their earnings, many will probably have to depend on public assistance and other income supplements to live above the poverty line. The AFDC program, food stamps, and child support payments are especially important income supplements.

Work and Welfare: Current AFDC Programs and Implications for Federal Policy (GAO/HRD-87-34, Jan. 29, 1987).

After analyzing numerous pre-JOBS work programs, GAO found that the variety of work program options gave states the flexibility to tailor their programs to local needs, but multiple legislative authorizations resulted in a patchwork of administrative responsibilities and a lack of overall program direction. To serve more participants, programs spread their limited funds thinly, providing inexpensive services, such as job search assistance, and paying for few support services. Yet, the programs GAO examined served only a minority of adult AFDC recipients in 1985, excluding any with young children or severe barriers to employment. Evaluations of the work programs have shown modest positive effects on the employment and earnings of participants. But wages were often insufficient to move participants off welfare.

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Testimony

Before the Committee on Labor and Human Resources
United States Senate

For Release on Delivery
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# WELFARE TO WORK

# AFDC Training Program Spends Billions, but Not Well Focused on Employment

Statement of Jane L. Ross, Director,
Income Security Issues
Health, Education, and Human Services Division

GAO/T-HEHS-95-51

Madam Chairman and Members of the Committee:

I am pleased to be here today to discuss our review of the federal employment training program for Aid to Families With Dependent Children (AFDC) recipients.

As the Congress considers the effectiveness of our federal employment training system, it faces the challenge of moving hundreds of thousands of parents from welfare to work. Since the late 1960s, the country has made several efforts at reforming employment training programs in order to reduce the dependence of poor families on welfare payments. The Job Opportunities and Basic Skills Training (JOBS) program, created in 1988, is now one of the largest of the many federal employment training programs and is designed specifically to provide AFDC parents with the help they need to avoid long-term welfare dependence. Since its creation, federal and state governments have spent almost $8 billion on this program. This is in addition to the hundreds of billions of dollars spent on cash assistance, medical services, food stamps, housing, and other services for these needy families.

You asked us to discuss the success of JOBS in moving AFDC recipients into employment. Our testimony today, based on our report issued last month,[1] will focus on five key points about JOBS: (1) what it was intended to do; (2) how many and which AFDC recipients are being served; (3) what is known about its participants gaining employment; (4) whether the program is sufficiently focused on employment; and (5) what role employers play.

Our conclusion is that, although billions have been spent, the JOBS program has not transformed AFDC into a transitional cash assistance program focused on employment. Few are served in JOBS and some of those most at risk of long welfare stays, such as teen parents, have not been reached. In addition, the JOBS program is not well focused on the ultimate goal of employment. First, as in many of the nation's employment training programs, the number of JOBS participants who have become employed is not known. Second, federal performance standards generally reward states financially for placing AFDC recipients in education and training, but not for finding them jobs. Third, the programs in most communities are not fully using the tools available to find and create jobs for their AFDC recipients.

## JOBS INTENDED TO TRANSFORM AFDC TO TRANSITIONAL SYSTEM

In 1988, the Congress created the JOBS program to serve as the principal vehicle for transforming the culture of both welfare agencies and recipients, so that they would view cash benefits as temporary assistance on the path to employment and not as a

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[1] Welfare to Work: Current AFDC Program Not Sufficiently Focused on Employment (GAO/HEHS-95-28, Dec. 19, 1994).

permanent entitlement. The Department of Health and Human Services (HHS) oversees the program at the federal level and state welfare agencies administer it locally. Welfare agencies or their contractors[2] are to assess the needs and skills of welfare recipients[3] and provide them with the services they need to prepare for and accept employment. To provide these services, JOBS programs rely heavily on a wide variety of community resources, such as Job Training Partnership Act (JTPA) agencies, adult basic education programs, high schools, the state employment service, and community colleges.

To encourage states to work towards the federal goal of reducing welfare dependence, the Congress provided financial incentives for states to serve increasing portions of their AFDC populations with education and training, placing special emphasis on those most at risk of long welfare stays--the hard-to-serve. The Congress also expected that, ultimately, states' receipt of these incentives also would be based on goals such as increased employment and earnings.

Between 1989 and 1994, the federal and state governments spent almost $8 billion through the JOBS program to provide AFDC recipients with education, training, and support services, including child care. The amount of federal, state, and local dollars spent by other providers, such as JTPA, Head Start, and education providers, is substantial but is not included in this amount.[4]

## FEW SERVED, AND THOSE MOST AT RISK NOT REACHED

In fiscal year 1993, about 11 percent of the more than 4.6 million adult AFDC recipients participated in JOBS education and training activities each month. More than half of the recipients

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[2]While the AFDC agency must oversee the JOBS program, it may contract out day-to-day administration. In some states or areas, JOBS is operated by the Job Training Partnership Act (JTPA) agency, the state employment service, community-based organizations, or a combination of agencies and providers.

[3]AFDC recipients with children younger than 3 years old are not required to participate in JOBS. Recipients may also be exempted for other reasons, such as illness or remoteness from JOBS activities.

[4]One study of JOBS in six counties in California showed that about one-third of the total cost of services provided to JOBS participants was paid for by providers other than the welfare agency. See GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program, Manpower Demonstration Research Corporation (New York: 1994).

were exempt from JOBS, usually because they were caring for a child under 3 years old. Of those not exempt, about one-quarter were active in JOBS. About half a million AFDC recipients participated in JOBS activities each month.

While JOBS programs have made progress in serving AFDC recipients at risk of long welfare stays, some still are not widely served. Teen parents are especially at risk of long welfare stays because of their low levels of education and work experience and the young age of their children. Our 1992 review of 16 states containing most of the nation's AFDC teen mothers reported that 24 percent of them had been enrolled in JOBS.[5] In addition, some AFDC recipients with barriers to employment, such as learning disabilities or substance abuse problems, are not being reached.

## THE NUMBER OF JOBS PARTICIPANTS WHO HAVE BECOME EMPLOYED IS NOT KNOWN

Today, more than 5 years after JOBS was implemented, we do not know what progress has been made in helping poor families become employed and avoid long-term welfare dependence. Data are available on dollars spent, services provided, and the number and type of participants served. However, these data tell us nothing about how JOBS is moving people into employment. HHS does not track the number of JOBS participants who get or retain jobs or leave AFDC each year.

## STATE JOBS PROGRAMS ARE HELD ACCOUNTABLE FOR PARTICIPATION, NOT EMPLOYMENT

Given that no data are collected on the numbers finding jobs, HHS certainly cannot hold states accountable for employment outcomes. The current federal performance standards provide little incentive for states to focus on moving AFDC recipients into employment. Each year, states must place a minimum number of participants in education, training, or work activities that average 20 hours a week. They also must spend over half of their JOBS dollars on targeted groups.[6] If they do not meet both of

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[5]Welfare to Work: States Move Unevenly to Serve Teen Parents in JOBS (GAO/HRD-93-74, July 7, 1993).

[6]To receive their full share of federal funding, states must meet participation and targeting requirements. The minimum participation standards rose from 7 percent of those required to participate in fiscal year 1991 to 20 percent in fiscal year 1995. States also must spend at least 55 percent of their JOBS program resources on recipients and applicants who have received AFDC for any 36 of the preceding 60 months; custodial parents under the age of 24 who (1) have not completed or are not enrolled in high school or high school equivalency courses or (2) have little or no work

these standards, they lose a portion of their federal funding, which can be millions of dollars for many states. As a result, JOBS programs may focus more on getting clients into program activities than into jobs and off AFDC. For example, at one site we visited, a woman had successfully completed several different training programs. Under the current performance system, this individual helps the program meet the federal standards to receive its full share of federal funding. Yet, she remained unemployed and on AFDC.

JOBS' performance standards are process-oriented, based on the numbers and types of participants enrolled in activities, rather than focused on outcomes, such as the portion of participants who become employed and leave welfare. While these process standards have played an important role in encouraging states to serve more participants, including the hard-to-serve, the ultimate goal of JOBS is to increase employment and reduce welfare dependence. The current JOBS performance system, however, does not include any standards based on such outcomes. This raises a question about whether JOBS administrators should be held accountable to standards based on outcomes, such as the portion of participants that find and retain jobs and the level of participants' weekly wages.

HHS has reported to the Congress on its plans to revise the JOBS performance standards to include outcome measures, an expectation stemming from the original legislation creating JOBS. However, HHS does not expect to implement these until 1998, a decade after the JOBS legislation was signed into law. In developing these standards, HHS expects to draw on information from its ongoing impact and cost benefit study of JOBS. It is sponsoring a seven-site national evaluation based on random assignment to determine the effectiveness of different approaches to operating JOBS.

## LOCAL PROGRAMS NOT FULLY USING TOOLS AVAILABLE TO LINK PARTICIPANTS WITH EMPLOYERS

Most JOBS programs have weak links with employers. While the programs have discretion in selecting from a full range of tools to help participants prepare for and find employment, those tools most closely linked with employers play a relatively small role in JOBS.

In addition to preparing AFDC recipients for employment through education and training, JOBS programs are supposed to help participants secure a job. One way programs do this is by conducting job development activities, including identifying job

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experience in the preceding year; or members of families about to lose their AFDC eligibility because of the age of the youngest dependent child.

openings, marketing clients to employers, and arranging interviews for clients. By working with employers, job developers can make their JOBS programs more responsive to their local labor market.

We have spoken to job developers in selected JOBS programs across the country and found that they play an important role in JOBS programs. One job developer we spoke with was a member of several employer organizations, such as the Chamber of Commerce or Rotary or Lions' Clubs, and used her connections to promote the JOBS program.

Although identified as a potentially important tool for moving JOBS participants into employment, not enough job development is being done to meet the needs of those JOBS participants looking for work. Our nationally representative sample of county JOBS administrators showed that about 40 percent of the programs have no full- or part-time staff dedicated to job development activities. In addition, about half of the program administrators reported that they worked only sometimes or rarely with private-sector employers to identify or create jobs for participants. In fact, more than half of the local administrators reported that, in their opinion, they did not do enough job development to meet their clients' needs.[7] In our opinion, JOBS programs must do more to bring AFDC recipients and employers together.

Programs can also work with employers in other ways. When appropriate employment is not available, work activities can be used to provide work experience to AFDC recipients who do not have the skills and experience to gain employment on their own. JOBS programs can provide temporary financial incentives to employers that hire and train JOBS participants through on-the-job training and work supplementation/grant diversion programs.[8] These programs are designed to encourage employers to hire welfare recipients whose productivity may be lower than that of other potential employees. In addition, for recipients who have limited work experience or need to develop good work habits, JOBS may place them

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[7]To determine the extent of job development performed, we asked JOBS administrators about all job development activities performed on behalf of JOBS participants, including those activities conducted by paid contractors and those performed on a nonreimbursable basis. While welfare agencies took the lead in performing job development, others involved included JTPA agencies, state employment services, community-based organizations, and other education and training providers.

[8]In on-the-job training programs, JOBS programs may use JOBS funds to reimburse the training and supervision costs of an employer who hires a JOBS client. Under a work supplementation program, all or part of the AFDC grant is diverted to an employer to cover part of the cost of wages for a JOBS participant for up to 9 months.

with public and nonprofit agencies to gain work experience while performing services for their community.

While these work activities can make a difference in promoting employment or creating meaningful work opportunities for welfare recipients, they play a small role in JOBS. In mid-1994, less than one-third of counties placed JOBS participants in on-the-job training or work supplementation programs. And, although more widely used, work experience programs had limited numbers of enrollees. Administrators we spoke with said that too much time and effort were needed to develop these programs. We also learned that these activities can sometimes be more costly than education or classroom training, especially when the education or training is paid for by other providers and is free to the JOBS program.

## CONCLUSIONS

The JOBS program does not provide the strong engine that is needed to move significant numbers of AFDC recipients, especially the hard-to-serve, into employment and off AFDC. While progress has been made in implementing JOBS, the program is not well focused on employment as the ultimate goal. JOBS does not track the number of participants who get jobs or leave AFDC annually. In addition, local JOBS programs generally have not forged the strong links with local employers that may be important for helping AFDC recipients gain work experience and find employment. Also, the JOBS performance measurement system holds states accountable for the number and type of AFDC recipients participating in JOBS activities but not for the number who get jobs or earn their way off AFDC. Thus, programs may focus more on preparing participants for employment than on getting them jobs. However, both are important.

Madam Chairman, that concludes my prepared statement. At this time, I will be happy to answer any questions you or other members of the Committee may have.

For more information on this testimony, please call David P. Bixler, Assistant Director, at (202) 512-7201 or Gale C. Harris, Senior Evaluator, at (202) 512-7235.

## RELATED GAO PRODUCTS

Child Care Subsidies Increase Likelihood That Low-Income Mothers Will Work (GAO/HEHS-95-20, Dec. 30, 1994 ).

Welfare to Work: Current AFDC Program Not Sufficiently Focused on Employment (GAO/HEHS-95-28, Dec. 19, 1994).

Child Care: Promoting Quality in Family Child Care (GAO/HEHS-95-36, Dec. 7, 1994).

Child Care: Current System Could Undermine Goals of Welfare Reform (GAO/T-HEHS-94-238, Sept. 20, 1994).

JOBS and JTPA: Tracking Spending, Outcomes, and Program Performance (GAO/HEHS-94-177, July 15, 1994).

Welfare to Work: JOBS Automated Systems Do Not Focus on Program's Employment Objective (GAO/AIMD-94-44, June 8, 1994).

Families on Welfare: Sharp Rise in Never-Married Women Reflects Societal Trend (GAO/HEHS-94-92, May 31, 1994).

Families on Welfare: Teenage Mothers Least Likely to Become Self-Sufficient (GAO/HEHS-94-115, May 31, 1994).

Families on Welfare: Focus on Teenage Mothers Could Enhance Welfare Reform Efforts (GAO/HEHS-94-112, May 31, 1994).

Child Care: Working Poor and Welfare Recipients Face Service Gaps (GAO/HEHS-94-87, May 13, 1994).

Multiple Employment and Training Programs: Major Overhaul Is Needed (GAO/T-HEHS-94-109, Mar. 3, 1994).

Child Care Quality: States' Difficulties Enforcing Standards Confront Welfare Reform Plans (GAO/T-HEHS-94-99, Feb. 11, 1994).

Self-Sufficiency: Opportunities and Disincentives on the Road to Economic Independence (GAO/HRD-93-23, Aug. 6, 1993).

Welfare to Work: States Move Unevenly to Serve Teen Parents in JOBS (GAO/HRD-93-74, July 7, 1993).

Welfare to Work: JOBS Participation Rate Data Unreliable for Assessing States' Performance (GAO/HRD-93-73, May 5, 1993).

Welfare to Work: States Serve Least Job-Ready While Meeting JOBS Participation Rates (GAO/HRD-93-2, Nov. 12, 1992).

Welfare to Work: Implementation and Evaluation of Transitional Benefits Need HHS Action (GAO/HRD-92-118, Sept. 29, 1992).

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